

**IN THE UNITED STATES BANKRUPTCY COURT
FOR THE DISTRICT OF DELAWARE**

In re:)	
)	Chapter 11
FTX TRADING LTD., et al)	
)	Case No. 22-11068-JTD
Debtor.)	
)	

JOINDER TO MOTION FOR ENTRY OF AN ORDER APPOINTING AN EXAMINER

The Vermont Department of Financial Regulation (Vermont),¹ pursuant to Fed. R. Civ. Pro. 20, joins the United States Trustee in his request that the Court enter an Order directing the appointment of an Examiner pursuant to 11 U.S.C. § 1104, (DE#176). Vermont also joins in the Joinder of the State of Wisconsin. DE # 263. In support of this Joinder, Vermont states as follows:

1. On November 11, 2022, following the financial collapse of the FTX companies, the discovery of significant financial irregularities, and the ouster of Sam Bankman-Fried from leadership, Debtors FTX Trading et al commenced Chapter 11 bankruptcy proceedings in this court. John Jay Ray, former CRO of the troubled Enron companies, was appointed as CEO.
2. On November 17, 2022, Mr. Ray filed his First Day Declaration in Support of the Chapter 11 filings. DE #24. As is set forth in the Motion of the United States Trustee, Mr. Ray reported the following:
 - a. The use of software to conceal the misuse of customer funds.
 - b. The absence of appropriate corporate governance.
 - c. The absence of any accounting department.
 - d. The existence of unreliable audit opinions.
 - e. The existence of unaudited balance sheets and unreliable financial statements.
 - f. The absence of unaudited financial statements for the Alameda or Venture silos of the companies.
 - g. The absence of centralized control of cash.
 - h. The absence of an accurate list of bank accounts and account signatories, and insufficient attention to the creditworthiness of banking partners.

¹ The Vermont Department of Financial Regulation regulates banking, securities, insurance, and captive insurance.

- i. The absence of appropriate books and records or security controls with respect to Debtors' digital assets.
 - j. Unacceptable management practices, including the use of an unsecured group email account as the root user to access private keys and critically sensitive data.
 - k. The absence of complete books and records for the Debtors' investments in assets other than cryptocurrency.
 - l. The absence of appropriate disbursement controls.
 - m. The absence of lasting records of decision-making.
 - n. The absence of liquidity forecasting.
 - o. The likelihood of a multitude of intercompany claims.
 - p. The absence of records sufficient to determine who worked for the Debtors as of the Petition Date, and unclear records and lines of responsibility.
3. The United States Trustee also expressed concern about alleged hacks immediately post-petition.
4. All possible grounds for the appointment of an Examiner under 11 U.S.C. §1104(c) are present in this case:
- a. Debtors' fixed, unliquidated, unsecured debts, other than debts for goods, services, or taxes, or owing to an insider, substantially exceed \$5 million.
 - b. Allegations of fraud, dishonesty, incompetence, mismanagement, or irregularity by current or former management.²
 - c. The appointment of an Examiner is in the best interests of creditors.
 - d. The United States Trustee has requested the appointment of an Examiner.
5. Pursuant to 11 U.S.C. § 1104(c) the appointment of an Examiner is mandatory in this case.

CONCLUSION

6. For all of the reasons set forth herein and in the Motion of the United States Trustee and the Wisconsin Joinder, Vermont respectfully requests the Court enter an Order directing the Appointment of an Examiner.

² In addition to the concerns outlined by Mr. Ray, as is set forth in the Wisconsin Joinder, Mr. Bankman-Fried has been arrested and is also subject to a lawsuit by the SEC based on, inter alia, allegations of fraud and the diversion of customer assets.

Dated: January 3, 2023

Respectfully submitted,

Vermont Department of Financial Regulation

/s/ Jennifer Rood

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CERTIFICATE OF SERVICE

I certify that a true and correct copy of the foregoing has been served via the Court's Electronic Filing System on all parties requesting notice in this proceeding on January 3, 2023.

/s/ Jennifer Rood

Jennifer Rood

Assistant General Counsel